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Electronic Cash Systems, a division of
US Alliance Group, and CardFlex Inc.

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re

Case No. 2:13-bk-21466-NB

KREISS ENTERPRISES, INC., a California
corporation,

Chapter 11

Debtor.

**STIPULATION BETWEEN DEBTOR,
ON THE ONE HAND, AND
ELECTRONIC CASH SYSTEMS AND
CARDFLEX, INC., ON THE OTHER
HAND, FOR RELIEF FROM STAY,
ASSUMPTION OR REJECTION OF
MERCHANT PROCESSING
AGREEMENTS AND RESOLVING
OBJECTION TO INSIDER
COMPENSATION**

Kreiss Enterprises, Inc., a California corporation, the debtor and debtor in
possession herein ("**Debtor**"), on the one hand, Creditor Electronic Cash Systems, a
division of US Alliance Group, and CardFlex, Inc. (collectively "**CardFlex**" and together
with Debtor, the "**Parties**"), by and through their undersigned counsel, hereby enter into
this stipulation (the "**Stipulation**") based on the following facts:

1. On April 30, 2013 (the "**Petition Date**"), the Debtor filed a voluntary petition
for relief under chapter 11 of the Bankruptcy Code.

2. On May 1, 2013, the Debtor served on the United States Trustee and certain
creditors Notices Setting Insider Compensation (the "**Compensation Notices**") for Thomas

1 Kreiss and Loren Kreiss, which included bi-weekly salary ("**Compensation**"), car
2 allowances, medical insurance, and business expense reimbursement.

3 3. On May 14, 2013, CardFlex filed its objection to the Compensation Notices
4 (the "**Objection**").

5 4. The Compensation Notices, and CardFlex's Objection thereto, are set for
6 hearing on June 11, 2013 at 9:00 a.m.

7 5. Prior to the Petition Date, the Debtor and CardFlex entered into several
8 Merchant Processing Agreements, which incorporated, among other agreements, the
9 Program Guide, pursuant to which CardFlex provides credit card and debit card processing
10 for the Debtor on transactions involving MasterCard, Visa and Discovery credit and debit
11 cards (the "**CardFlex Agreements**").

12 6. Prior to the Petition Date, CardFlex began receiving a substantial number of
13 customers requesting that their credit or debit card charges be reversed because some or all
14 of the merchandise they ordered and paid a deposit on was not delivered (the
15 "**Chargebacks**").

16 7. On the Petition Date CardFlex held a reserve pursuant to the CardFlex
17 Agreements in the approximate amount of \$360,000 (the "**Reserve**").

18 8. After the Petition Date, the Chargebacks continued and substantially
19 increased in number and amount.

20 9. The Debtor has a significant amount of invoices for customers where
21 customers charged their purchases on a MasterCard, Visa or Discovery card for which
22 product has not been shipped to the customer for various reasons (the "**Open Orders**").

23 10. CardFlex has requested a list of all Open Orders where customers charged
24 their purchases on MasterCard, Visa or Discovery cards for each of the Debtor's locations
25 indentifying the invoice or purchase order number, card type, transaction amount,
26 transaction date and customer contact details.

27 11. The Debtor has a significant amount of orders for which cardholders have
28 placed a deposit, the Debtor has some of the cardholder's product in its inventory, and

1 some of the cardholders have a remaining balance due (the “**Ready-to-Ship Orders**”).

2 12. The Debtor desires to ship the product to customers on the Ready-to-Ship
3 Orders and has requested CardFlex to process credit and debit card transactions on the
4 Ready-to-Ship Orders.

5 13. CardFlex desires the Debtor to deliver product to complete the Ready-to-
6 Ship Orders.

7 14. CardFlex desires to process the sales/final payment for the Ready-to-Ship
8 Orders, and replenish the Reserve pursuant to the CardFlex Agreements.

9 15. CardFlex also desires to process the Chargebacks.

10 NOW, THEREFORE, THE PARTIES HEREBY STIPULATE AND AGREE AND
11 REQUEST THE COURT ENTER AN ORDER PROVIDING THAT:

12 A. Upon execution of this Stipulation, Thomas Kreiss and Loren Kreiss may
13 each receive his first bi-weekly salary payment due after the Petition Date, but only up to
14 80% of the amount of Compensation requested in his respective Compensation Notice,
15 plus his full car allowance.

16 B. Thomas Kreiss and Loren Kreiss shall not be entitled to any reimbursements
17 of business expenses (other than their car allowance and medical insurance expenses, as
18 applicable) during the pendency of this case.

19 C. The Debtor shall provide a list of all Open Orders placed from the Debtor’s
20 Melrose showroom location (the “**Melrose Orders List**”), which shall include, to the extent
21 available, the invoice number, card type, transaction amount, transaction date, and
22 customer contact details for each such Open Order.

23 D. Upon delivery of the Melrose Orders List, Thomas Kreiss and Loren Kreiss
24 may each receive 10% of his Compensation that was held back from the payment
25 described in Paragraph A of this Stipulation, provided, however, that all subsequent
26 Compensation to be paid to Thomas Kreiss and Loren Kreiss shall be in a sum equal to
27 90% of the amount of Compensation requested in his respective Compensation Notice.
28 This 10% reduction in Compensation shall be permanent during the pendency of this case.

1 E. Upon the delivery of the Melrose Orders List, Thomas Kreiss and Loren
2 Kreiss may receive his second bi-weekly salary payment due after the Petition Date
3 provided, however, that such payment shall be in a sum equal to 90% of the Compensation
4 requested in his respective Compensation Notice. Each subsequent bi-weekly salary
5 payment may be made to Thomas Kreiss and Loren Kreiss, in a sum equal to 90% of the
6 amount of Compensation requested in their respective Compensation Notices, only after
7 the list(s) of all Open Orders placed from the Debtor's remaining showroom locations (the
8 "***Remaining Orders List***") has been provided to CardFlex.

9 F. Beginning with orders placed from the Melrose showroom location, the
10 Debtor shall use its best efforts to process and deliver to customers the Ready-to-Ship
11 Orders for which the Debtor has the merchandise.

12 G. CardFlex shall have relief from stay under 11 U.S.C. § 362, and stay shall be
13 annulled retroactively to the Petition Date, for the limited purpose of permitting CardFlex
14 to process the Chargebacks and shall be permitted to set off the Chargebacks against the
15 Reserve provided for under the CardFlex Agreements pursuant to 11 U.S.C. § 553.

16 H. The Debtor shall either assume or reject, the CardFlex Agreements by no
17 later than July 31, 2013.

18 I. CardFlex will process credit and debit card transactions for the Ready-to-
19 Ship Orders, as requested by the Debtor, upon presentment of an invoice and reasonable
20 proof of arrangement for shipping.

21 J. CardFlex shall retain 5% of the gross amount of each transaction that it
22 processes for the Ready-to-Ship Orders, which amount shall be applied to the Reserve
23 provided for under the CardFlex Agreements.

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1 K. The hearing on the Objection shall be continued pending the approval of this
2 Stipulation and the Objection shall be withdrawn within two (2) business days following
3 entry of an Order by the court approving this Stipulation .

4 IT IS SO STIPULATED.

5 Dated: June 4, 2013

RUTAN & TUCKER, LLP
ERIC J. FROMME

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7 By: 

Eric J. Fromme
Attorneys for Creditor
Electronic Cash Systems, a division of
US Alliance Group, and CardFlex Inc.

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11 Dated: June 4, 2013

LEVENE, NEALE, BENDER, YOO &
BRILL, L.L.P.

12
13
14 By: 

Martin J. Brill
Juliet Y. Oh
Lindsey L. Smith
Proposed Attorneys for Debtor and
Debtor in Possession

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
611 Anton Blvd., Ste. 1400, Costa Mesa, CA 92626.

A true and correct copy of the foregoing document entitled (*specify*): **STIPULATION BETWEEN DEBTOR, ON THE ONE HAND, AND ELECTRONIC CASH SYSTEMS AND CARDFLEX, INC., ON THE OTHER HAND, FOR RELIEF FROM STAY, ASSUMPTION OR REJECTION OF MERCHANT PROCESSING AGREEMENTS AND RESOLVING OBJECTION TO INSIDER COMPENSATION** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) June 4, 2013, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Joseph M Adams jadams@lawjma.com
- Martin J Brill mjb@lnbrb.com
- Eric J Fromme efromme@rutan.com
- Ed J Gezel Notices@bkservicing.com
- Paul T Johnson ptj@paultjohnson.com, admin@ptjlaw.com;desiree@ptjlaw.com
- Mary D Lane mal@msk.com, mec@msk.com
- Dare Law dare.law@usdoj.gov
- Susan I Montgomery susan@simontgomerylaw.com
- Juliet Y Oh jyo@lnbrb.com, jyo@lnbrb.com
- Ernie Zachary Park ernie.park@bewleylaw.com
- Kristen N Pate ggpbk@ggp.com
- Tina M Pivonka tpivonka@mulvaneybarry.com, ihector@mulvaneybarry.com
- Lindsey L Smith lls@lnbyb.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) June 4, 2013, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Hon. Neil W. Bason
United States Bankruptcy Court
255 E. Temple Street, Suite 1552
Los Angeles, CA 90012

☒ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

June 4, 2013
Date

Cecilia Solórzano
Printed Name

/s/ Cecilia Solórzano
Signature